1966

BONDS TO PROVIDE STATE COLLEGE AND UNIVERSITY FACILITIES.

teaching employees of most school districts, employees of most of California's counties and cities and many other public agencies. With an increase of only one-tenth of 1 percent in investment earnings, SERS income would grow by an additional $2 million a year—benefiting both employees and the public.

Proposition No. 1 strictly safeguards public retirement funds. Major restrictions include limitation of common stock investments to 25 percent of any fund's investment portfolio with no more than 5 percent of a stock of any company and no more than 2 percent of a fund's assets in a single common stock. Purchases would be limited to domestic corporations listed on a national exchange that have a capitalization of $100 million with a history of dividend payments in eight of the past 10 years, including the last three years. Banks and insurance companies with capital funds of $50 million or more would qualify.

Proposition No. 1 warrants a yes vote. It is one of those issues that will benefit every Californian.

ASSEMBLYMAN DON A. ALLEN, SR.
Chairman Joint Legislative Retirement Committee, California Legislature

ASSEMBLYMAN E. RICHARD BARNES
Member Joint Legislative Retirement Committee, California Legislature

LOUIS B. LUNDBORG, Chairman,
Californians for Yes on No. 1
Chairman, Board of Directors,
Bank of America

Argument Against Proposition No. 1

"Inflation nibbles; the stockmarket bites!" is a trite but true Wall Street cliché. The proponents of Proposition 1, however, would have you believe that they have found a system to beat the stockmarket. By the use of this system, called "dollar averaging", they claim that they will be able to obtain higher pensions for state employees at a lower cost to you, the taxpayer.

"Dollar averaging" consists of investing a fixed dollar amount of money in common stock at regular intervals. In this way the investor supposedly buys more shares of stock at low prices than at high prices and thus obtains the stock at a lower average cost per share than the average of the market prices. For this system to be successful, a doubtful assumption at best, the managers of the state employees' pension fund would need to have the cash to purchase stock at the bottom of a depression and they would also require the courage to do so. Human events and frailties being what they are, they probably would lack both and the system would then fail!

The state employees' pension fund must be prepared to meet two distinct obligations. It must pay earned pensions to employees when and after they retire, and it must be prepared to refund, in cash, the money contributed by employees whose employment is terminated for any reason prior to retirement. A major depression would result in reductions in force and forced early retirements when the stock market would be at a very low level. If the pension fund's investments should depreciate to the extent that it could not meet the demands for cash being made upon it, either the taxpayers would make up the difference, when they could least afford to, or the fund would default on its obligations.

A fundamental investment principle is that when investing other people's money for their and their families' security in their old age, safety should not be sacrificed for an increased return. This measure, proposed when stock prices are near an all time high and when gilt-edged bonds are paying the best interest rates in over forty years, would sacrifice both safety and a liberal return for the dubious prospect of speculative profits.

It is true that many other pension funds invest in common stocks and that investment dealers are recommending this proposal. With luck, taxpayers and state employees perhaps might benefit from . but the only assured benefit is to the investment community which is actively supporting this measure.

Californians, examine this Proposition 1 very carefully. Do not be influenced by what other states and other pension funds are doing. If, after considering both sides, you doubt the wisdom of speculating with your tax money and with the security of your public servants in their old age, stay off of this common stock bandwagon and vote NO!

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2 **FOR BONDS TO PROVIDE STATE COLLEGE AND UNIVERSITY FACILITIES.** (This act provides for a bond issue of two hundred thirty million dollars ($230,000,000).)	
AGAINST BONDS TO PROVIDE STATE COLLEGE AND UNIVERSITY FACILITIES. (This act provides for a bond issue of two hundred thirty million dollars ($230,000,000).)	

(For Full Text of Measure, See Page 28, Part II)

General Analysis by the Legislative Counsel

A "Yes" vote (a vote FOR BONDS) is a vote to authorize the issuance and sale of state bonds up to $230,000,000 to provide funds to meet the major building construction, equipment and site acquisition needs of the state for purposes of the University of California and the California State Colleges.

A "No" vote (a vote AGAINST BONDS) is a vote to refuse to authorize the issuance and sale of state bonds for this purpose.

For futher details see below.

Detailed Analysis by the Legislative Counsel

This act, the State Higher Education Construction Program Bond Act of 1966, would authorize the issuance and sale of state bonds in an amount not to exceed $230,000,000 to provide funds for major building construction, equipment and site acquisitions for the University of California and the California State Colleges. Bond proceeds in amounts which the Legislature shall determine are to be used for site acquisitions for new institutions of public higher education which the Legislature may authorize or approve after approval of this act by the people.

The act provides that the bonds are to be general obligations of the state for the payment of which the full faith and credit of the state is pledged. It annually appropriates from the General Fund the amount necessary to make the principal and interest payments on the bonds as they become due.

Bond proceeds may be expended only for projects for which funds are appropriated by the Legislature in a separate section of the Budget Act. The Department of Finance is required each year to total the appropriations made in such separate section of the Budget Act and to request the State Construction Program Committee, consisting of the Governor, the State Controller, the State Treasurer, the Director of Finance, and the Director of the Coordinating Council for Higher Education, to have sufficient bonds issued and sold to carry out such projects.

Argument in Favor of Proposition No. 2

Your YES vote on Proposition Two will provide the classrooms and laboratories needed to house the wave of college-age students now filling California's State Colleges and University systems. The postwar baby boom has now reached the college level, requiring added teaching facilities at all 20 state college and 9 university campuses as well as site acquisition for expansion and new campuses.

Despite maximum utilization of existing space by year-round operation and scientific utilization of present classrooms, facilities for 30,000 additional students must be provided over the next two years. In addition, professional schools must be greatly expanded to serve California's mushrooming population which will exceed 20 million in 1967. For example, 18 percent of the university's construction next year will be used to start or enlarge its medical schools at Los Angeles, San Francisco, San Diego and Davis to provide the doctors California's citizens so urgently need.

The instructional buildings which Proposition Two will finance have been carefully screened as to need and cost. These funds can be used only for college and university construction and are subject to specific legislative appropriation.

Because our college age group is now growing more than twice as fast as the rest of the population, we must make the choice of greatly increasing our taxes now or using these Higher Education bonds to spread part of the cost of construction over future generations using these facilities. In the past Californians have strongly supported education, and it has proven one of our most productive investments. The students trained in the classrooms provided by these bonds will, because of that training, return to the State in future years many times the cost of their education.

Although Proposition Two is needed now to provide the money for expanding our public higher education campuses, California's Legislature has already taken steps to meet our building needs in the 1970's by dedicating greatly increased future tideland oil revenues for higher education construction. In addition, the State has initiated a fiscal program to meet all other State capital outlay on a "pay-as-you-go" basis from yearly tax revenues. The $230 million provided by Proposition Two has been substantially reduced from past bond issues because of this "pay-as-you-go" policy.

By voting for Proposition Two you will make a substantial contribution to economic growth in California. Expansion of our educational facilities will continue to attract the business investment which is the backbone of employment in this State.

Passage of this measure will assure maintenance of California's greatest asset—its system of higher education.

WALTER W. STIERN
State Senator
Kern County

HOUSTON I. FLOURNOY
Member of the Assembly,
California Legislature

LEROY F. GREENE
Assemblyman, 3rd District,
California State Legislature

Argument Against Proposition No. 2

The burden of public debt and its costs has grown tremendously in California. State bond issues, which were intended to be used only on rare occasions to meet special needs, have become a regular biennial occurrence. Approval of this proposition for a new bond issue would only delay the working out of rational financing for California state expenditures, and make it less likely that a truly sound financing method will soon be found.

Over a 25-year normal repayment period, every $100 million in state bond borrowing costs about $50 million in interest. In this year of 1966 we face the tightest money market in three decades. Bonds sold now would carry a much higher interest than normal, thus placing a crushing burden upon future taxpayers—including the children of those now voting on this measure—who will have no part in the decision on whether or not to assume the responsibility of meeting these high interest costs. Nevertheless, they will have to meet these costs if this proposition is approved.

The traditional argument that interest costs are more than offset by rising land costs is not currently valid. Land bought in the next few years may actually be cheaper than land purchased now through this proposed bond issue, due to the tight money market.

On July 7, 1966 the Legislature passed Senate Bill No. 2 providing for funds from the City of Long Beach tideland oil and gas revenue to be placed in the newly created Capital Outlay Fund for Public Higher Education in the State Treasury. Funds from this source will be available July 1, 1967, precluding the necessity of the added indebtedness incurred by this proposed bond issue.

Senate Bill No. 43, introduced by Senators Stiern and Nisbet, co-authored by Assemblyman Rumford, which provides for the bond issue the voters will hereby approve or reject, nowhere specifies a construction plan, nor the school facilities to be acquired. Therefore it may be termed a "blank check" for $230 million of land acquisition.

Most people regard the term "higher education" as including our junior colleges. In this bill there is no provision for expenditures to assist the junior colleges, although they have in general proved more resistant than many universities and state colleges to the moral anarchy now threatening campus life.

The proposition shows nothing to indicate that the bond funds sought will be sufficient for more than a very short period.

Most if not all educational expenses ought to be met out of current revenues, not special bond issues. Had the revenue from the tax increases of the past years been allocated to capital outlay in education, a number of costly welfare and other programs could not have been enacted. The law provides that interest payments on a bond issue must be made from the general fund, that is, from tax revenue. Thus if this bond issue is approved, future administrations may claim that new and increased taxes are required.

JOHN G. SCHMITZ
State Senator
Orange County

OPEN SPACE CONSERVATION. Legislative Constitutional Amendment. **3** Authorizes Legislature to define open space lands; provide restrictions to use thereof for recreation, scenic beauty, natural resources, or production of food or fiber; and establish basis of assessment of such lands.	YES	
	NO	

(For Full Text of Measure, See Page 29, Part II)

General Analysis by the Legislative Counsel

A "Yes" vote on this measure is a vote to authorize the Legislature to specify the basis upon which "open space lands," as defined by the Legislature, shall be valued for property tax purposes.

A "No" vote is a vote to deny this power to the Legislature.

For further details see below.

Detailed Analysis by the Legislative Counsel

This measure, if approved by the voters, would add a new Article XXVIII to the State Constitution. It would authorize the Legislature to define "open space lands." It would provide that when any such lands are restricted, by restrictions specified by the Legislature, to use for recreation, enjoyment of scenic beauty, use of natural resources, or production of food or fiber, such lands would be valued for assessment purposes on the basis determined by the Legislature to be consistent with such restrictions and use. All assessors would be required to assess open space lands only on the basis of such restrictions and use and would be prohibited from considering any factors relating to the value of such lands other than those specified by the Legislature.

Argument in Favor of Proposition No. 3

Your "YES" vote on Proposition 3, the BREATHING SPACE AMENDMENT, will permit the California Legislature to alter certain assessment regulations now causing the destruction of California's open space and countryside.

Your "YES" vote on Proposition 3 will enable the Legislature to define open space lands and provide proper assessment guidelines when such lands are restricted solely to uses for: (a) recreation, (b) enjoyment of scenic beauty, (c) use of natural resources, and (d) growing of crops or trees.

Your "YES" vote will enable the Legislature to:

1. SAVE CALIFORNIA — ITS SCENIC BEAUTY, ITS INCOMPARABLE OPEN SPACES.

2. PROTECT YOUR AND YOUR FAMILY'S ENJOYMENT OF CALIFORNIA'S GREAT RECREATIONAL AREAS.

3. CONSERVE OUR IRREPLACEABLE NATURAL RESOURCES.

4. HELP KEEP FAMILY FOOD COSTS DOWN.

Our Constitution now provides "All property subject to taxation shall be assessed for taxation at its full cash value." Consequently, the assessor has no choice but to assess open space lands as if they were used for commercial subdivision or industrial values if he determines such lands COULD be soon used for those purposes.

Tracts of timbered land, purchased for RECREATIONAL purposes, are being assessed for their value as HARVESTABLE TIMBER, forcing owners to destroy recreational values by having to cut their trees to meet the higher taxes.

Family and many other farms, under present assessment practices, are frequently being taxed more than the farm's annual income and driven into subdivisions.

ORCHARDS, TRUCK GARDENS, DAIRY FARMS, TIMBER LANDS, AND OUR GREAT OPEN SPACES ARE BEING ENVELOPED BY URBAN SPRAWL.

EVERY DAY better than a half square mile of California's BEST agricultural land is being crushed under by the relentless bulldozer.

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(This law proposed by Senate Bill No. 43, 1966 First Extraordinary Session, does not expressly amend any existing law; therefore the provisions thereof are printed in **BLACK-FACED TYPE** to indicate that they are **NEW.**)

PROPOSED LAW

Section 1. This act shall be known and may be cited, as the State Higher Education Construction Program Bond Act of 1966.

Sec. 2. The purpose of this act is to provide the necessary funds to meet the major building construction, equipment and site acquisition needs of the state for purposes of the University of California and the California State Colleges.

Proceeds of the bonds authorized to be issued under this act, in an amount or amounts which the Legislature shall determine, shall be used for site acquisitions for new institutions of public higher education which institutions are approved or authorized by the Legislature subsequent to the adoption of this act by the people.

Sec. 3. Bonds in the total amount of two hundred thirty million dollars ($230,000,000), or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in Section 2 of this act, and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Government Code Section 16724.5. Said bonds shall be known and designated as State Higher Education Construction Program bonds and, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California are hereby pledged for the punctual payment of both principal and interest on said bonds as said principal and interest become due and payable.

Sec. 4. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, such sum in addition to the ordinary revenues of the state as shall be required to pay the principal and interest on said bonds maturing in said year, and it is hereby made the duty of all officers charged by law with any duty in regard to the collection of said revenue to do and perform each and every act which shall be necessary to collect such additional sum.

Sec. 5. There is hereby appropriated from the General Fund in the State Treasury for the purpose of this act, such an amount as will equal the following:

(a) Such sum annually as will be necessary to pay the principal and interest on bonds issued and sold pursuant to the provisions of this act, as said principal and interest become due and payable.

(b) Such sum as is necessary to carry out the provisions of Section 8 of this act, which sum is appropriated without regard to fiscal years.

Sec. 6. The proceeds of bonds issued and sold pursuant to this act, together with interest earned thereon, if any, shall be deposited in the State Construction Program Fund. The money so deposited in the fund shall be reserved and allocated solely for expenditure for the purposes specified in this act and only pursuant to appropriation by the Legislature in the manner hereinafter prescribed.

Sec. 7. A section shall be included in the Budget Bill for each fiscal year bearing the caption State Higher Education Construction Bond Act Program. Said section shall contain proposed appropriations only for the program contemplated by this act, and no funds derived from the bonds authorized by this act may be expended pursuant to an appropriation not contained in said section of the Budget Act. The Department of Finance, which is hereby designated as the board for the purposes of this act, shall annually total the Budget Act appropriations referred to in this section and, pursuant to Section 16730 of the Government Code, request the State Construction Program Committee to cause bonds to be issued and sold in quantities sufficient to carry out the projects for which such appropriations were made.

Sec. 8. For the purposes of carrying out the provisions of this act the Director of Finance may by executive order authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized to be sold for the purpose of carrying out this act. Any amounts withdrawn shall be deposited in the State Construction Program Fund, and shall be reserved, allocated for expenditure, and expended as specified in Section 6 of this act. Any moneys made available under this section to the board shall be returned by the board to the General Fund from moneys received from the sale of bonds sold for the purpose of carrying out this act, together with interest at the rate of interest fixed in the bonds so sold.

Sec. 9. The bonds authorized by this act shall be prepared, executed, issued, sold, paid and redeemed as provided in the State General Obligation Bond Law (Chapter 4 of Part 3, Division 4, Title 2 of the Government Code), and all of the provisions of said law are applicable to said bonds and to this act, and are hereby incorporated in this act as though set forth in full herein.

Sec. 10. The State Construction Program Committee is hereby created. The committee shall consist of the Governor, the State Controller, the State Treasurer, the Director of Finance, and the Director of the Coordinating Council for Higher Education. For the purpose of this act the State Construction Program Committee shall be "the committee" as that term is used in the State General Obligation Bond Law.